

## Basic trends in the development of professional higher education in Armenia<sup>1</sup>

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*The subject of this investigation is the composition and distribution of students of Armenian educational institutions and their partition in the state and private sectors of higher education. The study examines the general rise of educational institutions, particularly private ones, where the average number of students is considerably less than in the state institutions of higher learning. There has also been an increase in the number of students in state-paid and private higher education institutions. This is discussed, together with the fact that 75 per cent of students are involved in the system of paid education in the Republic of Armenia. For that reason, the financing of education is a serious problem for a considerable part of population at the present time. Gender issues that are involved in professional higher education are examined.*

*The structure of financing higher education and problems unique to the Republic are also considered. Some measures for the further development of a financing and lending system in higher education are suggested, particularly the creation of an educational lending system that would enable more people to study for degrees in the higher education sector with the assistance of student loans.*

Armenia, professional education, financing, educational loans, structure of institutions, higher education

### INTRODUCTION

The most important means of solving the global problems that humanity faces is through education. Education is central to the direction of development of any state, and the system of education is the sphere in which the intellectual potential of a nation develops. At the present time the most important product in the international market is human capital, and the level of education in society is a precondition for the successful development of the state.

It is especially important for Armenia, which, because it has severely limited natural and investment resources at its disposal, must choose education as a priority. In this case, the level of development in higher professional education is of primary and defining importance.

In Armenia, the preparation of professional staff is performed, in most cases, by state institutions of higher education, where the majority of students undertake their studies. The number of institutions of higher education has increased over the last ten years and has now reached 20. The state is the founder of these institutions. Non-state or private educational institutions also function in the Armenian Republic together with the state ones. They are directed by highly qualified staff. The number of such educational institutions is 73. In most cases, they are small institutions, with average student numbers that are about 10 times smaller than those of the state institutions and

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usually not greater than 300 on the average. The majority of the private institutions are concentrated in the capital of the Republic, Yerevan. Here there are 17 state and 50 private educational institutions in existence, which is understandable because almost one third of the population of the Republic is concentrated in Yerevan, as well as the fact that the wealth and the level of business activity are considerably higher there.

### HIGHER EDUCATION IN ARMENIA

The following types of higher education institutions function in Armenia: universities, institutes, academies, and conservatories. They offer the following degrees and higher professional qualifications:

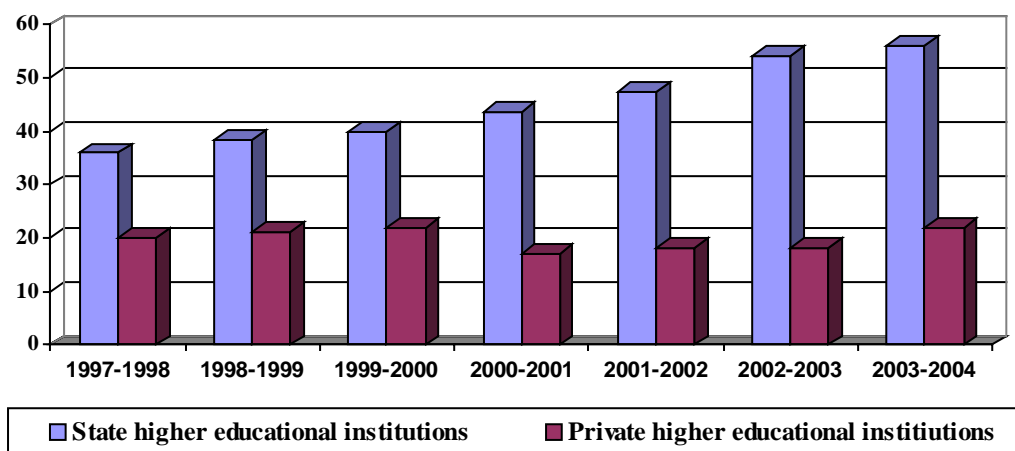
- Bachelor degrees,
- Certified specialist certificates and degrees, and
- Masters degrees.

At the present time, the total number of students in the Armenian educational institutions is approximately 78,000 persons, reflecting an increase in the last few years of nearly 38 per cent. However, the majority of the students prefer to study in state-run educational institutions. Only 28 per cent of the total number of students study in private institutions. Table 1 shows the number in thousands and the percentages of students in higher education institutions in Armenia from the years 1997 to 2004 (Statistical Review, 2004).

**Table 1. Quantity and distribution of higher education students in Armenia**

Study year	1997	1998	1999	2000	2001	2002	2003
Total number of students, in thousands	56.2	59.7	61.7	60.7	65.6	72.3	77.9
The number per 10,000 persons in the population	148.2	157.2	162.2	159.6	172.6	225.9	242.7
Number of students in state educational institutions, in thousands	36.0	38.5	39.8	43.6	47.4	54.1	55.9
Per cent of state university students in the total student population	64.1	65.5	65.6	71.8	72.3	74.8	71.8
Number of students in private educational institutions, in thousands	20.2	21.2	21.9	17.1	18.2	18.2	22.0
Per cent of private university students in the total student population	35.9	35.5	34.4	28.2	27.7	25.2	28.2

Figure 1 shows graphically the number of students per thousand students enrolled in state and private education institutions in Armenia from 1997 to 2004 (Statistical Review, 2004).



**Figure 1. Number of students enrolled in state and private higher education in Armenia**

The growth of number students in state education institutions for the period under study is greater than 50 per cent, reaching 56 per thousand or about 72 per cent of the total number of higher education students.

In recent years, active development of the private sector has been seen in the system of higher professional education, which is particularly important, taking into consideration the fact that this sector did not exist at all before 1990. Its existence is the result of economic processes that are connected to the development of a market economy and its effect on forces that influence the field of education. This, together with the fact that larger numbers of the population realise that higher education provides the greatest opportunity to obtain prestigious and highly paid employment and, accordingly, to attain a better position in society, has stimulated the growth of the demand for educational services that is characteristic in Armenia today.

Thus, the uniqueness of the whole system of higher professional education is that there is a large number of higher educational institutions, particularly private ones, compared with the rather small total numbers in the population of the Republic of about 3.2 million people (Statistical Review, 2004).

### PREPARATION OF SPECIALISTS

The preparation of specialists in the Republic of Armenia is carried out along a number of professional lines. Thus, in the fields of manufacturing and agriculture, for example, in the material production sphere there has been a reduction in the number of students observed in the period under study. At the same time the education and preparation of economists and teachers have increased. The highest growth has been in the section that includes students of economics, which have reached 24 per cent in 2004. The greatest numbers of students in private higher educational institutions are in the fields of jurisprudence (about 30 per cent) and economics (about 22 per cent) of all students in those sectors. The private educational institutions are the closest to the marketing section of the professional education sphere, and thus they respond in a more flexible way to the requirements of the market and the financial demands of their students. Table 2 shows the percentage of students in various fields of higher education in Armenia (Statistical Review, 2004).

**Table 2. Percentage of students in institutions of higher education in the Republic of Armenia according to professions**

	Industry	Agriculture	Economy	Jurisprudence	Pedagogy	Health	Other	Total
2000-2001	15.9	3.5	19.1	2.9	13.2	9.4	36.0	100
2001-2002	12.3	2.8	19.9	11.0	16.7	8.3	29.0	100
2002-2003	8.0	2.3	23.0	10.0	16.4	7.6	32.7	100
2003-2004	8.1	3.3	24.3	3.5	16.5	7.8	36.5	100

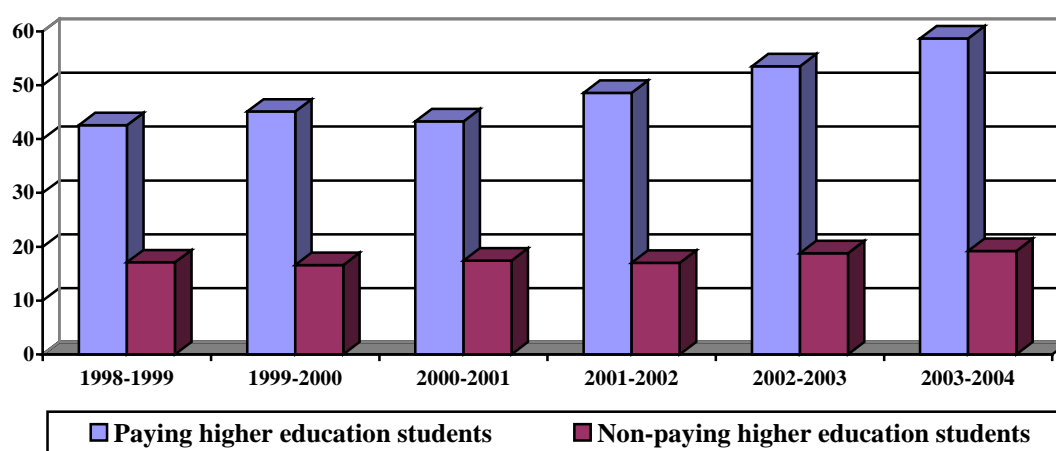
In the period under study, an increase in the number of students in the paid education sector of state educational institutions has been observed in the Republic. Despite the fact that educational institutions are state-run, they are only partially financed by the state budget. Accordingly, only a portion of students have had the opportunity of free study and they have had to compete for the privilege as it is paid for by the state. Thus in 1998-1999, 20,500 persons paid for their studies, in 2003-04 the number reached 36,739 persons and increased to 72,200 or 79 per cent, and their share in the total number of students increased by 12,300 or 12.6 per cent. In 2004, 65,400 or 65.7 per cent of the students in the state sector of education paid to study. Therefore, if the number of students in private educational institutions is added, it is found that the system of paid education comprises 58,755 persons or about 75 per cent of the total number of students. These figures indicate a trend to a further increase. The transfer to paid forms of study was carried out in the early 1990s, when a market economy and private property ownership were introduced into the post-Soviet economy of Armenia. Table 3 shows the total number of higher education students

who pay fees as numbers of students in thousands and the percentage that they represented between 1998 and 2004 (Statistical Review, 2004).

**Table 3. Total number of students paying to study in the higher education system in the Republic of Armenia**

Study year	Total number of students	Total of paying students	
		Number, in thousands	Per cent
1998-99	59.7	42.6	71.4
1999-00	61.7	45.1	73.1
2000-01	60.7	43.3	71.3
2001-02	65.6	48.6	74.1
2002-03	72.3	53.5	74.0
2003-04	77.9	58.7	75.3

Figure 2 shows the changes in the numbers of students in free and partly paid higher education as thousands of students in the Armenian Republic between 1998 and 2004 (Statistical Review, 2004).



**Figure 2. Number of paying and non-paying students in Armenia 1998-2004**

In terms of gender, the number of male and female students in Armenia is almost the same, with a slightly higher number of female students. In the total population, 51.9 per cent or 1.7 million are women and 48.1 per cent or 1.5 million are men. These relationships are generally preserved in the sphere of professional education. Thus more than half of the whole number of students in educational institutions or 53.0 per cent is female. Their number in private educational institutions reaches 67 per cent, and in state-run institutions is equal to 51.5 per cent. Table 4 shows the distributions of females in the higher education institutions in Armenia from 1998 to 2004 (Statistical Review, 2004)

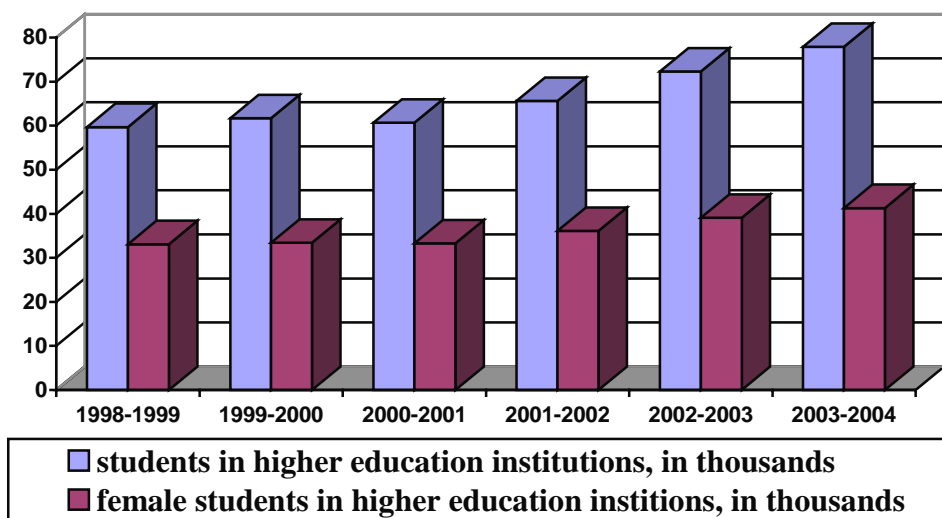
**Table 4. Distribution of students in the educational institutions of Armenia by gender**

	1998	1999	2000	2001	2002	2003
Students in higher education institutions, total (x1000)	59.7	61.7	60.7	65.6	72.3	77.9
Females, (x1000)	33.1	33.4	33.3	36.1	39.1	41.3
Proportion of females (%)	55.4	54.1	54.9	55.0	54.1	53.0

Figure 3 compares the number of female students to the total numbers of students in the higher education student population in the period between 1998 and 2004 (Statistical Review, 2004).

The largest part of female student population is in the field of education. This number is approximately 23 per cent of the total number of female students. The number of female students in industrial and agricultural professions is declining. At the same time, the number of female students in the professions of law, economics and education is increasing. The greatest number of

female students in private educational institutions is in the professional areas of law (about 21.2 per cent) and education (about 21 per cent). Table 5 shows the distribution, in percentages of female students in the Armenian higher education sector according to the subjects studied over the years 2000 to 2004 (Statistical Review, 2004).



**Figure 3.** Total number of students and proportion of female students in higher education, in thousands

**Table 5.** Number of female students in the institutions of higher education in the Armenian Republic according to profession, expressed as percentages

	Industry	Agriculture	Economy	Law	Education	Health	Other	Total
2000-2001	8.6	2.3	16.0	1.8	19.8	6.8	44.7	100
2001-2002	9.3	1.9	14.7	8.2	24.2	7.7	34.0	100
2002-2003	2.0	0.6	18.2	17.6	20.4	6.4	34.8	100
2003-2004	2.9	1.5	21.4	8.7	23.4	7.1	35.0	100

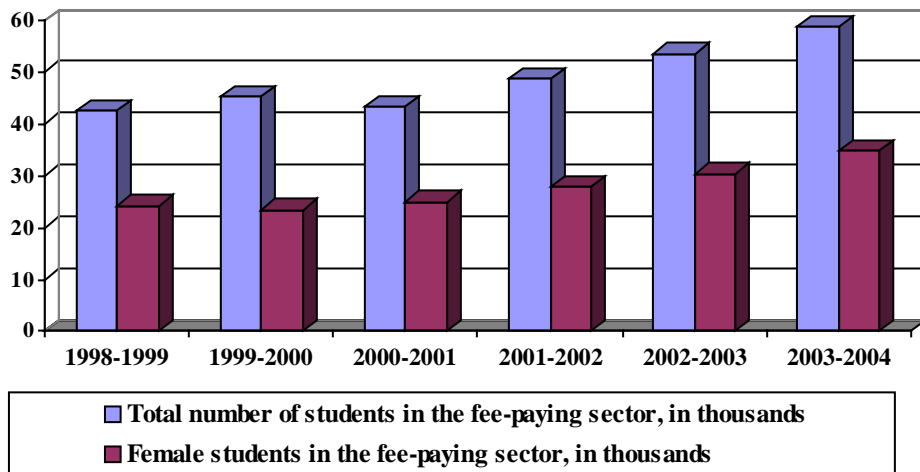
The proportion of female students in state educational institutions represents about 46 per cent of students in the free sector, and about 55 per cent in the fee-paying sector. In total, the proportion of female students in state and private educational institutions is about 59 per cent. Table 6 lists the number and proportion of female students in the fee-paying and free higher education sectors by numbers expressed in thousands and as percentages in the population (Statistical Review, 2004).

**Table 6.** Female students studying in the paid sector of the higher education system

	1998	1999	2000	2001	2002	2003
Total number of students in the paid sector, in both state and private higher education institutions, in thousands	42.6	45.1	43.3	48.6	53.5	58.7
Female students, in thousands	24.2	23.4	25.0	28.0	30.4	34.7
Proportion of female, as a percentage	56.8	51.9	57.7	57.6	56.8	59.1

Figure 4 compares the changes in the number of fee-paying female students to the total number of paying students over the period from 1998 to 2004 (Statistical Review, 2004).

The evidence shows that there is a reasonably good gender balance in all sections of the sphere of professional higher education in Armenia. This means that the issue of expediency of receiving professional education does not depend on gender, despite differences associated with the compensation allowed for materials and other expenses. The level of unemployment in the Republic among females in the population is 12.8 per cent, and 5.7 per cent in the male population, indicating that about twice as many young females as males are not employed (Statistical Review, 2004).



**Figure 4. Female and total number of students in the fee-paying portion of the state higher education sector, in thousands**

Financial support is the most important organisational issue in professional higher education in the Republic. At present, the decrease in budget financing of the expenses related to professional education and the increase of sources such as fees for educational services, together with assistance that is provided by various private structures, are characteristically part of the structure of financing sources.

About one third of expenses used in the financing of higher education expenses in state educational institutes comes from direct budget deductions. About half of all financing comes from fees taken for the study of which almost all is made by ordinary persons. The main source of financing in private educational institutions is the fees received for study. Table 7 shows the sources of funding used in Armenian higher education. The figures shown are expressed as percentages (Statistical Review, 2004).

**Table 7. Content and structure of financing sources in the educational institutions of the Republic expressed as a percentage**

Educational Institutions	2000 -2001		2001-2002		2002-2003	
	State	Private	State	Private	State	Private
Provisions from the budget	32.2	-	36.7	-	26.2	-
Total study fees	52.1	88.9	50.2	88.5	49.4	87.8
law students	7.2	9.6	4.9	6.7	5.4	2.6
other students	44.9	79.3	45.3	81.8	44.0	85.2
Income from other sources*	15.7	11.1	13.1	11.5	24.4	12.2

\*including money for the services, provided to the people, other paid services, donations, rent and other income

## CONCLUSIONS

On the whole, the considerable participation of legal professionals, their enterprises and organisations, is not characteristic of the system of financing of professional higher education that exists in the Republic. Such attitudes can be explained by the absence of interest shown in a given area, that occurs because of insufficient financial possibilities of economic subjects, the overall economic structure and particularly, because of the absence of intensive scientific production and research that are the principal users of highly qualified staff, as well as by the irregularity of the transition period, when the market mechanisms only function in part. In addition, the absence of indirect participation by the state could be performed by the mechanisms of tax stimulation by investors as well as other forms of monetary lending. The practical absence of profits from scientific research is characteristic of work performed by the educational institutions in the sphere of financing sources.

Thus, the rapid development of market relations is characteristic for the Republic, which is only indirectly regulated by the state. The low level solvency of the population whose average annual income is about United States \$600, results in a chronic shortage of budget funds. The state budget has had a constant deficit during the period under study, which in 2002 amounted to 0.7 per cent of Gross Domestic Product (*Statistical Review, 2004*). At the same time there is a rapidly increasing need for professional education. Important sources of funds in the area of higher professional education are borrowed against current assets, particularly as educational loans. This source of financing is absent in Armenia at present for a number of reasons.

### **Practical Implications**

When providing educational loans, the specific nature of this type of lending should be taken into consideration, and in the first instance, the long-term character, the necessity of fixing a favourable regime of repayment under the terms of study, and the provision of low interest rates since the debtors are, in most cases, the people having financial problems at the time. As a result, the credit, currency, and interest risks are considerably increased. That is why, in case of this type of lending, the evaluation of solvency and creditability is of primary importance.

Lending is performed by various means. In our opinion, the traditional bank lending, taking into consideration the peculiarities of the given form of lending, is really unacceptable as at the present time banks provide long-term loans for terms of two to five years with an annual repayment rate of 15 to 24 per cent annually. In our Republic attempts to provide such loans are not made, despite the existing demand for such a service.

For the efficient functioning of a system of educational lending the creation of a number of conditions is necessary. The creation of a special non-banking loan organisation, having special status and an organisational form, that would act in the accumulation of funds and further allocation of loans is required.

A special role should be given to the state as the guarantor of the process, and should be under the direct and constant monitoring of the present organisation. At the same time the creation of the necessary laws and guidelines for the performance of this type of activity by all interested subjects, should also be the responsibility of the state.

The state can carry out the financing of the higher education area in this way by directing a considerable part of the provided budget funds to these institutions. In this case the financing is of subsidiary character, that is, it is carried out in some other procedure, by means of a lending mechanism, involving shared financing, with the aim of partial compensation for expenses. This would provide some reduction of budget expenses, since the funds that are provided would not be carried on the principles of non-return, non-term, or non-payment, which are characteristic for the budget financing, but undertaken on the principles of lending – involving repayment and return. The application of these principles also allows for the provision of the most efficient use of the available funds.

In the case of this type of financing the greatest performance of the most important obligation of the state, that is, the social function is also provided, since the allocation of funds would have a personalised character and would be provided to each socially deprived person.

The creation of this type of structure would allow the implementation, development and improvement in the system of educational lending. In turn, this would provide for the further development of the system of higher education, the increase of the population solvency, the reduction of social tension and the provision of social justice in society, since the possibility of receiving a corresponding higher education would be created for each gifted student.

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